

TARIFF ACTION MEMO

Date: April 20, 2023

Date Filed: March 15, 2023

Statutory End Date: May 1, 2023

File No: TA516-1

Name of Utility: Alaska Electric Light and Power Company (AEL&P)

Subject: Cost of Power Adjustment (COPA) and Small Facility Power Purchase Rate (SFPPR)

Recommendation

Staff recommends the Commission:

1. Approve Tariff Sheet Nos. 131, 169, and 170, filed March 15, 2023, by AEL&P with TA516-1, as shown on the attached side-by-side tariff sheets (Appendix-1). The effective date of the tariff sheets should be April 1, 2023.

Please see attached Staff Memorandum supporting the above recommendation.

Signed: Christina Thibodeaux
Christina Thibodeaux

Title: Utility Tariff Analyst

Commission decision regarding this recommendation:

| | <u>Date (if different from 4/20/2023)</u> | <u>I Concur</u> | <u>I Do Not Concur</u> | <u>I Will Write A Dissenting Statement*</u> |
|----------|---|-------------------------|----------------------------|---|
| Kurber | | <u>KKT</u> | | |
| Doyle | | <u>BD</u> BD | | |
| Pickett | | <u>RMP</u> BP | | |
| Sullivan | | <u>RMP</u> BP for DS | | |
| Wilson | <u>4/21/23</u> | <u>JWW</u> JWW | | |

* If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, the dissent will simply be noted at the close of the By Direction letter or order.

MEMORANDUM

To: Keith Kurber II, Chairman
Robert A. Doyle
Robert M. Pickett
Daniel A. Sullivan
Janis W. Wilson

Date: April 20, 2023

From: Christina Thibodeaux, Utility Tariff Analyst

Subject: COPA/SFPPR

Recommendation

Staff recommends the Commission:

1. Approve Tariff Sheet Nos. 131, 169, and 170, filed March 15, 2023, by AEL&P with TA516-1, as shown on the attached side-by-side tariff sheets (Appendix-1). The effective date of the tariff sheets should be April 1, 2023.

Background

The majority of AEL&P's energy is purchased from the Snettisham hydroelectric generation facility through a purchase power agreement with the Alaska Industrial Development and Export Authority.¹ AEL&P credits its COPA balancing account for interruptible sales to Princess Cruise Lines, Ltd. (Princess), true-up of revenues for Hecla Greens Creek Mining Company (Greens Creek), interruptible sales to Holland America Line N.V. (Holland), and for excess margins on interruptible sales.²

Filing

AEL&P now submits its quarterly COPA and SFPPR update for the period beginning April 1, 2023. With TA516-1, AEL&P filed Tariff Sheet Nos. 131, 169, and 170 and requested the tariff sheets be effective April 1, 2023.

Proposed revisions to COPA surcharges are reviewed under 3 AAC 52.504, which requires information supporting entries in the balancing account for the historical period, and support for projections for the future period.³ The calculation of AEL&P's COPA consists of three parts. The first part includes a three-month estimate of kWh sales and power costs. AEL&P submitted supporting documentation for the period of April through

¹ The Snettisham Hydroelectric Project provides approximately 80% of the Juneau-Douglas area electrical energy. See Project Fact Sheet, (2020). Retrieved from

<http://www.aidea.org/Programs/InfrastructureDevelopment/SnettishamHydroelectricProject.aspx>

² See AEL&P Tariff Sheet No. 168, effective January 6, 2022, at 2, 3, 6, and 7.

³ See 3 AAC 52.504(g), *Filing requirements for electric utilities*. This support includes invoices, records, reports, calculations, contracts, and any other information the Commission and Staff consider necessary to explain the proposed COPA calculation.

June 2023. The second part includes a three-month estimate of Princess⁴ and Holland⁵ interruptible sales, true-up of sales for Greens Creek,⁶ and excess margins on interruptible sales.⁷ The final part includes documentation for the actual balancing account entries for December 2022 through February 2023 and AEL&P's estimated balancing account at March 31, 2023.⁸ AEL&P provided actual usage, generation, cost, and sales data for the period of December 2022 through February 2023, including invoices and spreadsheets supporting the balancing account entries.

Notice

In accordance with historic Commission practice, a publication notice was not issued for TA516-1.⁹

Discussion/Analysis

COPA Surcharge Decrease

AEL&P proposes a COPA surcharge of (\$0.002049)/kWh, which is a decrease from the currently approved COPA surcharge of \$0.003529/kWh. Table 1 shows the effect of the proposed COPA surcharge on a sample average residential customer billing for 850 kWh of usage.

⁴See Agreement for the Sale and Purchase of Interruptible Energy between Alaska Electric Light and Power Company and Princess Cruise Lines, filed with TA300-1 and approved with Letter Order No. L0100520, issued May 30, 2001; Amendatory Agreement No. 2, filed with TA442-1 and approved with Letter Order No. L1600147, issued March 29, 2016; Amendatory Agreement No. 3, filed with TA449-1 and approved with Letter Order No. L1600335, issued July 8, 2016; Amendatory Agreement No. 4, filed with TA349-1 and approved with Letter Order No. L2100019, issued January 22, 2021.

⁵ See Agreement for the Sale and Purchase of Interruptible Energy between AELP and Holland America Line N.V. filed with TA502-1 and approved with Letter Order No. L2100432, issued January 4, 2022.

⁶See Order No. U-10-029(15), approving the inclusion of a revenue element in AEL&P's COPA mechanism wherein during months when sales to Greens Creek exceed \$554,480, firm ratepayers will enjoy a reduction in rates, making up the difference in months when sales do not equal the specified threshold; See Amendment No. 1 to the Special Contract for Power Sales between AEL&P and Hecla Greens Creek Mining Company, filed with TA441-1 and approved with Letter Order No. L1600145, issued March 29, 2016; See Order No. U-16-086(1), approving an increase of the monthly threshold to \$797,473 per month, issued October 31, 2016; See Order U-16-086(6), approving a decrease of the monthly threshold to \$726,264 per month, issued November 15, 2017.

⁷ See AEL&P Tariff Sheet Nos. 122-127 (schedule 25) and 142-148 (schedule 95). AEL&P makes excess non-firm hydroelectric energy from Snettisham available to customers at a price competitive with No. 2 fuel oil generation. See also AEL&P Tariff Sheet No. 168, effective January 6, 2022. Under AEL&P's current COPA methodology, AEL&P calculates margins in excess of the allowed gross operating margins and credits any excess margins to the cost of power balancing account.

⁸ See Order No. U-83-088(1). Effective November 1, 1983, AEL&P began using a COPA rather than a Fuel Cost Rate Adjustment.

⁹ One reason the Commission forgoes publication notice for COPA filings is 3 AAC 52.504(d) which states "[f]or a COPA filing under (b) of this section, an electric utility is not required to give public notice under AS 42.05.411..." This allows a utility to implement a COPA upon filing, rather than waiting the 45 days specified in AS 42.05.411 to ensure adequate notice to the public of a tariff revision.

TABLE 1

| Line | Description | Current Rates | Proposed Rates | Change from |
|------|------------------------------|------------------|------------------|--------------|
| 1 | COPA Surcharge (\$/kWh) | \$ 0.003529 | \$ (0.002049) | \$(0.005578) |
| 2 | 850 KWH CUSTOMER BILL | | | |
| 3 | Customer Charge | \$ 8.99 | \$ 8.99 | \$ - |
| 4 | Energy Charge \$0.1209/kWh | \$ 102.77 | \$ 102.77 | \$ - |
| 5 | COPA | \$ 3.00 | \$ (1.74) | \$ (4.74) |
| 6 | RCC @ \$0.000893/kWh | \$ 0.76 | \$ 0.76 | \$ - |
| 7 | Total Customer Bill | <u>\$ 115.51</u> | <u>\$ 110.77</u> | \$ (4.74) |

Factors that may affect the calculation of AEL&P's COPA surcharge include projected diesel fuel costs, the previous period's balancing account balance, generation efficiency, variances in the sales to Princess and/or Holland, revenue true-up for Greens Creek, and excess margins on sales to interruptible dual fuel customers. Changes in these factors frequently offset each other. Any factor that increases the average cost per kWh sold will put upward pressure on the COPA surcharge and any factor that decreases the average cost per kWh sold will put downward pressure on the COPA surcharge. The proposed decrease in AEL&P's COPA is driven primarily by:

- (1) An increase in projected fuel costs. The projected fuel costs increased from \$65,782 to \$73,265.¹⁰ The projected cost of fuel per unit increased from \$2.5487 per gallon to \$2.6914, the projected quantity of fuel increased from 25,810 gallons to 27,222 gallons.¹¹ The overall effect is an increase in projected fuel costs, which places upward pressure on the COPA surcharge.
- (2) A decrease in the estimated balancing account balance. The estimated balancing account balance decreased from \$387,611 to \$271,198.¹² This decrease in the estimated balancing account balance places downward pressure on the COPA surcharge.
- (3) A decrease in projected kWh sales. The projected kWh sales decreased from 99,568,262 kWh to 77,419,312 kWh.¹³ This decrease results in the projected costs being spread over a smaller number of kWh, placing upward pressure on the COPA surcharge.

¹⁰ See Appendix-1, AEL&P Tariff Sheet No. 169, at (e)(1).

¹¹ *Ibid.*

¹² See Appendix -1, AEL&P Tariff Sheet No. 170, at 5.

¹³ See Appendix -1, AEL&P Tariff Sheet No. 170, at 7.

- (4) An increase in forecasted interruptible sales to Princess and Holland. The forecasted interruptible sales increased from \$0 to \$430,608.¹⁴ This increase results in more revenues being collected from interruptible sales to Princess and Holland, which places downward pressure on the COPA surcharge.
- (5) A decrease in forecasted excess margins from interruptible sales. The margins from interruptible sales decreased from (\$102,063) to (\$72,510).¹⁵ This increase results in fewer revenues being collected from interruptible sales, which places upward pressure on the COPA surcharge.

The decrease in the estimated balancing account and the increase in forecasted interruptible sales to Princess and Holland place downward pressure on the COPA surcharge; this offsets the upward pressure from the increase in projected fuel costs, the decrease in projected kWh sales, and the decrease in forecasted excess margins from interruptible sales. The overall effect is a decrease to AEL&P's COPA surcharge.

The revisions proposed in TA516-1 did not include a change in methodology or new cost element, and as such, AEL&P implemented the proposed surcharge on April 1, 2023, in accordance with 3 AAC 52.504(b).¹⁶ Staff has reviewed all information and calculations filed in support of TA516-1 and verified that AEL&P provided all required information. Staff confirmed that the proposed surcharge was calculated accurately, using AEL&P's approved methodology.

SFPPR Decrease

AEL&P's tariff provides that its SFPPR rate is calculated by dividing the cost of diesel fuel consumed during the previous three months by the kilowatt hours produced by diesel generation in the same previous three months. This rate is effective when AEL&P is using diesel fuel to generate electricity.¹⁷

AEL&P proposes an SFPPR of \$0.2694/kWh, which is a decrease from the currently approved SFPPR of \$0.3333/kWh. Staff has verified the proposed SFPPR was calculated accurately, using AEL&P's approved methodology.

Tariff Sheets

Staff reviewed Tariff Sheet Nos. 131, 169, and 170. Staff has verified the proposed surcharge and rate were calculated accurately using AEL&P's approved methodology, the proper support was filed, and the tariff sheets are correct.

¹⁴ See AEL&P Tariff Sheet No. 169, at 2.

¹⁵ *Id.*, at (e)3.

¹⁶ 3 AAC 52.504(b) states that an electric utility may implement a COPA filing that does not include a new methodology or cost element immediately upon filing with the Commission, although the COPA filing is subject to subsequent review, adjustment, and approval by the Commission.


¹⁷ See Appendix 1, Tariff Sheet No. 131.

Conclusion

With TA516-1, AEL&P requests approval of its revised COPA and SFPPR for the period beginning April 1, 2023. Based on the discussion above, Staff recommends the Commission approve Tariff Sheet Nos. 131, 169, and 170, filed March 15, 2023, by AEL&P with TA516-1. The effective date of the tariff sheets should be April 1, 2023.

Signature: Keith Kurber II
Keith Kurber II (Apr 20, 2023 12:58 AKDT)
Email: keith.kurber@alaska.gov

Signature: Bob Doyle
Bob Doyle (Apr 20, 2023 13:38 AKDT)
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Bob Pickett (Apr 21, 2023 05:33 AKDT)
Email: bob.pickett@alaska.gov

Signature: Janis W. Wilson
Janis W. Wilson (Apr 21, 2023 07:44 AKDT)
Email: janis.wilson@alaska.gov

RCA No. 1 96th Sheet No. 131
Canceling
95th Sheet No. 131

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DEC 15 2022

STATE OF ALASKA
REGULATORY COMMISSION OF ALASKA

Alaska Electric Light and Power Company

Regulatory Commission
of Alaska

Schedule No. 44
Purchase of Energy from a Qualifying Facility
with a design capacity of 100 kilowatts or less

Applicable to: Qualifying power production facilities with a design capacity of 100 KW or less.

Rates: The rates reflected below are based on the cost of energy which Alaska Electric Light and Power Company (AELP) will avoid by virtue of its interconnection with qualifying facilities of 100 kW or less.

Rate A: This rate shall be effective at all times that energy available from AELP-owned hydro generators and the Snettisham hydroelectric facility is sufficient to meet all AELP customers' firm energy requirements.

| | | |
|-------------|---|---|
| Avoided | = | Incremental Cost of firm energy per kilowatt-hour |
| Energy Cost | | from Snettisham |
| Avoided | = | \$0.0 per kilowatt-hour |
| Energy Cost | | |
| Rate A | = | \$0.0 per kilowatt-hour |

Rate B: With the exclusion of exceptions listed, this rate shall be effective when AELP is using diesel fuel to generate electricity. However, diesel generation for maintenance and testing purposes of two hours or less per day will not cause this rate to become effective.

| | | | |
|-------------|---|-------------------------------------|---|
| | | Cost of Diesel fuel consumed during | |
| | | previous 3 months | |
| Avoided | = | ----- | |
| Energy Cost | | Kilowatt-hours produced by diesel | |
| | | generation - previous 3 months | |
| | | \$31,303.36 | R |
| Avoided | = | ----- | |
| | | 93,908 | R |
| Rate B | = | \$0.3333 per kilowatt-hour | R |

These rates will be adjusted in conjunction with quarterly Cost of Power Adjustment filings.

Effective January 1, 2023

Tariff Advice No. 514-01

Issued by _____ Alaska Electric Light and Power Company
By  Title Chief Financial Officer

RCA No. 1 97th Sheet No. 131
Canceling
96th Sheet No. 131



Alaska Electric Light and Power Company

Regulatory Commission
of Alaska

Schedule No. 44
Purchase of Energy from a Qualifying Facility
with a design capacity of 100 kilowatts or less

Applicable to: Qualifying power production facilities with a design capacity of 100 KW or less.

Rates: The rates reflected below are based on the cost of energy which Alaska Electric Light and Power Company (AELP) will avoid by virtue of its interconnection with qualifying facilities of 100 kW or less.

Rate A: This rate shall be effective at all times that energy available from AELP-owned hydro generators and the Snettisham hydroelectric facility is sufficient to meet all AELP customers' firm energy requirements.

| | | |
|-------------|---|---|
| Avoided | = | Incremental Cost of firm energy per kilowatt-hour |
| Energy Cost | | from Snettisham |
| Avoided | = | \$0.0 per kilowatt-hour |
| Energy Cost | | |
| Rate A | = | \$0.0 per kilowatt-hour |

Rate B: With the exclusion of exceptions listed, this rate shall be effective when AELP is using diesel fuel to generate electricity. However, diesel generation for maintenance and testing purposes of two hours or less per day will not cause this rate to become effective.

| | | | |
|-------------|---|-------------------------------------|---|
| | | Cost of Diesel fuel consumed during | |
| | | previous 3 months | |
| Avoided | = | ----- | |
| Energy Cost | | Kilowatt-hours produced by diesel | |
| | | generation - previous 3 months | |
| | | \$49,576.59 | I |
| Avoided | = | ----- | |
| | | 184,027 | I |
| Rate B | = | \$0.2694 per kilowatt-hour | R |

These rates will be adjusted in conjunction with quarterly Cost of Power Adjustment filings.

Effective April 1, 2023

Tariff Advice No. 516-01

Issued by _____ Alaska Electric Light and Power Company
By  Title Chief Financial Officer

RCA No. 1 95th Sheet No. 169

Canceling

 94th Sheet No. 169

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STATE OF ALASKA
REGULATORY COMMISSION OF ALASKA

Alaska Electric Light and Power Company

Regulatory Commission
of Alaska

Schedule No. 98 (continued)

d. Revision of Cost of Power Adjustment

(1) By the 15th of the month preceding the beginning of each calendar quarter, the utility will, by tariff advice letter, file the Determination of Cost of Power Adjustment detailed in (e.) to reflect the change in the average fuel cost for the ensuing calendar quarter and to reflect other approved credits or debits as set forth in (c.). The filing shall include such supporting data and work papers as the Regulatory Commission considers appropriate to support the computation.

(2) The revised Cost of Power Adjustment will be effective for all billings subsequent to the revision date, subject to subsequent review and adjustment by the Regulatory Commission. Revision dates will coincide with the beginning of the monthly billing cycle for each calendar quarter.

e. Determination of the Cost of Power Adjustment:

(1) Current cost of fuel:

| Energy Source | Estimated Purchases | Cost per Unit (B) | Total (A x B) | |
|--------------------|------------------------|----------------------|------------------|------------|
| Diesel | 25,810 gal | | | R |
| Fuel | 266,000 kwh | \$2.5487 | \$ 65,782 | RRR |
| Total cost of fuel | | | \$ 65,782 | R |

(2) Forecasted Princess Cruises and Holland America Lines Interruptible Sales

| | |
|--|----------|
| (January 1, 2023 - March 31, 2023) | T |
| Kilowatt hour sales: 0 | R |
| X Kwh rate \$ 0.116396 | R |
| Estimated 0% Power Factor Penalty 0 (\$ 0) | I |


(3) Forecasted Excess Margins on Interruptible Sales

| | |
|------------------------------------|----------|
| (January 1, 2023 - March 31, 2023) | T |
| Estimated Amount (\$102,063) | R |

Effective January 1, 2023

Tariff Advice No. 514-1

Issued by Alaska Electric Light and Power Company

By  Title Chief Financial Officer

RCA No. 1 96th Sheet No. 169

Canceling

 95th Sheet No. 169



Alaska Electric Light and Power Company

Regulatory Commission
of Alaska

Schedule No. 98 (continued)

d. Revision of Cost of Power Adjustment

(1) By the 15th of the month preceding the beginning of each calendar quarter, the utility will, by tariff advice letter, file the Determination of Cost of Power Adjustment detailed in (e.) to reflect the change in the average fuel cost for the ensuing calendar quarter and to reflect other approved credits or debits as set forth in (c.). The filing shall include such supporting data and work papers as the Regulatory Commission considers appropriate to support the computation.

(2) The revised Cost of Power Adjustment will be effective for all billings subsequent to the revision date, subject to subsequent review and adjustment by the Regulatory Commission. Revision dates will coincide with the beginning of the monthly billing cycle for each calendar quarter.

e. Determination of the Cost of Power Adjustment:

(1) Current cost of fuel:

| Energy Source | Estimated Purchases | Cost per Unit (B) | Total (A x B) | |
|--------------------|------------------------|----------------------|------------------|------------|
| Diesel | 27,222 gal | | | I |
| Fuel | 284,000 kwh | \$2.6914 | \$ 73,265 | III |
| Total cost of fuel | | | \$ 73,265 | I |

(2) Forecasted Princess Cruises and Holland America Lines Interruptible Sales

| | |
|---|----------|
| (April 1, 2023 - June 30, 2023) | T |
| Kilowatt hour sales: 3,699,507 | I |
| X Kwh rate \$ 0.116396 | R |
| Estimated 0% Power Factor Penalty 0 (\$430,608) | R |

(3) Forecasted Excess Margins on Interruptible Sales

| | |
|---------------------------------|----------|
| (April 1, 2023 - June 30, 2023) | T |
| Estimated Amount (\$72,510) | I |

Effective April 1, 2023

Tariff Advice No. 516-1

Issued by Alaska Electric Light and Power Company

By  Title Chief Financial Officer

RCA No. 1 94th Sheet No. 170
Canceling
 93rd Sheet No. 170

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REGULATORY COMMISSION OF ALASKA
Regulatory Commission
of Alaska

Alaska Electric Light and Power Company

Schedule No. 98 (Continued)

| | | |
|---|------------|----------------------|
| (4) True-up of Greens Creek Revenue variance for the period September 1, 2022 - November 30, 2022 | | T |
| Included in Balance as of November 30, 2022, in item (5) below | | T |
| (5) Balance of Cost of Power Account (at November 30, 2022) | 445,454 | I T |
| Estimated entries to Cost of Power Account - December 1 - 31, 2022: | | T |
| Diesel Generation 142,000 kwh | 34,690 | II |
| Kilowatt hour sales: 30,464,977 kwh | | I |
| December 2022 x 0.002021 | (61,570) | TIR |
| Forecasted Excess Margins | (30,963) | R |
| Estimated interruptible sales - Princess Cruises and Holland America Lines (including power factor penalty) | (0) | I_ |
| ----- | | |
| Estimated Balance - Cost of Power Account (at December 31, 2022) | 387,611 | TI |
| (6) Total of (1) - (5) above | 351,330 | I |
| (7) Estimated Kwh sales (January 1, 2023 - March 31, 2023) | 99,568,262 | I T |
| (8) Cost of Power Adjustment (6)/(7) per kilowatt-hour | \$0.003529 | I |

f. Cost of Power Balance Report

The Company shall file a report on the status of the Cost of Power Balance Account by the 15th day of the month preceding the beginning of each calendar quarter. This report shall include:

(1) The unit prices, volumes and total costs of fuel purchased as well as KWH generated by unit;

Effective January 1, 2023

Tariff Advice No. 514-1

Issued by Alaska Electric Light and Power Company
By  Title Chief Financial Officer

RCA No. 1 95th Sheet No. 170
Canceling
 94th Sheet No. 170



Alaska Electric Light and Power Company

Schedule No. 98 (Continued)

| | | |
|---|--------------|----------------------|
| (4) True-up of Greens Creek Revenue variance for the period December 1, 2022 - February 28, 2023 | | T |
| Included in Balance as of February 28, 2023, in item (5) below | | T |
| (5) Balance of Cost of Power Account (at February 28, 2023) | 418,713 | R T |
| Estimated entries to Cost of Power Account - March 1 - 31, 2023: | | T |
| Diesel Generation 0 kwh | 0 | RR |
| Kilowatt hour sales: 32,345,206 kwh | | I |
| March 2023 x 0.003529 | (114,146) | TIR |
| Forecasted Excess Margins | (33,369) | R |
| Estimated interruptible sales - Princess Cruises and Holland America Lines (including power factor penalty) | (0) | - |
| ----- | | |
| Estimated Balance - Cost of Power Account (at March 31, 2023) | 271,198 | TR |
| (6) Total of (1) - (5) above | (158,655) | R |
| (7) Estimated Kwh sales (April 1, 2023 - June 30, 2023) | 77,419,312 | R T |
| (8) Cost of Power Adjustment (6)/(7) per kilowatt-hour | (\$0.002049) | R |

f. Cost of Power Balance Report

The Company shall file a report on the status of the Cost of Power Balance Account by the 15th day of the month preceding the beginning of each calendar quarter. This report shall include:

(1) The unit prices, volumes and total costs of fuel purchased as well as KWH generated by unit;

Effective April 1, 2023

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